

Message Text

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64

ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 AID-20 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

AF-10 IO-13 L-03 H-03 IGA-02 INT-08 SCEM-02 RSR-01

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R 141544Z AUG 73

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 9683

INFO USMISSION OECD PARIS

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PASS TREASURY, FRB

EO: 11652: N/A

TAGS: EFIN, IMF, IBRD, KE, AU

SUBJ: IMF/IBRD ANNUAL MEETINGS

REF: STATE 159015

1. AMBASSADOR'S CALL ON NATIONAL BANK PRESIDENT KLOSS AND DIRGEN KIENZL TO INTRODUCE ECONCOUNS PROVIDED OPPORTUNITY TO SEEK OUT KLOSS' IMPRESSIONS OF RECENT WASHINGTON MEETING OF C-20 DEPUTIES (JULY 30-31) AND FORTHCOMING NAIROBI MEETINGS.

2. KLOSS, NOTING COMPLEXITY OF MAJOR ISSUES (SDR-AID LINK AND BALANCE OF PAYMENTS ADJUSTMENT MECHANISM), FELT THAT NO PROGRESS WOULD BE MADE ON LINK ISSUE AT NAIROBI. EXPRESSED VIEW THAT PRE-SENT OF LDC'S IN C-20 WOULD MAKE IT DIFFICULT TO ARRIVE AT EARLY RESOLUTION. HE HAD NOTICED IN WASHINGTON US CONCERN THAT USE OF SDR'S AS AID SUBSTITUTE WOULD CREATE SERIOUS CONGRESSIONAL PROBLEM FOR USG. HE TOO FELT THAT LDC'S WOULD BE WISE NOT TO PURSUE SDR

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LINK TOO VIGOROUSLY SINCE IT MIGHT JEOPARDIZE DC GOVERNMENT'S SUP-

PORT FOR BILATERAL AID PROGRAMS AND CONTRIBUTIONS TO IFI'S. HE COULD ENVISAGE AN EVENTUAL POSSIBLE COMPROMISE INVOLVING SPECIAL SDR ALLOCATIONS TO WORLD BANK OR REGIONAL DEVELOPMENT BANKS RATHER THAN DIRECT ALLOCATIONS TO THE LDC'S. HE FELT THAT AUSTRIA COULD CONCEIVABLY SUPPORT SUCH AN APPROACH, BUT WAS NOT SANGUINE THAT NAIROBI WOULD BRING MUCH FORWARD MOVEMENT ON LINK ISSUE.

3. KLOSS WAS ENCOURAGED BY PROGRESS MADE IN C-20 DISCUSSIONS ON BALANCE OF PAYMENTS ADJUSTMENT. HE FELT LESS VIGOROUS US STANCE ON AUTOMATICITY WAS STEP IN RIGHT DIRECTION. WHILE HE DID NOT FEEL THAT NAIROBI MEETING WOULD BRING FINAL RESOLUTION ON EXCHANGE RATE REFORM, RECENT WASHINGTON MEETING HAD CLEARED AIR CONSIDERABLY. KLOSS HOPED THAT NAIROBI SPEECHES WOULD AT LEAST SET STAGE FOR AGREEMENT ON BROAD PRINCIPLES, RECOGNIZING THAT TECHNICAL ISSUES, SUCH AS INTEREST RATE ON SURPLUS HOLDINGS, WOULD REQUIRE MORE STUDY AND DEBATE. FINALLY, KLOSS EXPRESSED STRONG CONVICTION THAT PROBLEM OF OIL COUNTRY RESERVES MUST BE RESOLVED FOR ANY BALANCE OF PAYMENTS ADJUSTMENT MECHANISM TO BE SUCCESSFUL.

4. IN SUM, GOA IS SKEPTICAL ABOUT EARLY RESOLUTION SDR-AID LINK ISSUE AND CAUTIOUSLY OPTIMISTIC ABOUT PROGRESS TOWARDS AGREEMENT ON BALANCE OF PAYMENTS ADJUSTMENT. WE DO NOT EXPECT THAT AUSTRIAN DELEGATION WILL RAISE SIGNIFICANT NEW PROPOSALS AT NAIROBI.

5. MEMBERS OF AUSTRIAN DELEGATION WILL BE REPORTED SEPARATELY.

HUMES

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